

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

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AZ Corporation Commission
Director Of Utilities

IN THE MATTER OF THE APPLICATION
OF DIAMOND VALLEY WATER USERS
CORP. TO AMEND ITS TARIFF

DOCKET NO. W-03263A-05-0215

DECISION NO. 67829

ORDER

Open Meeting
May 3 and 4, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On March 25, 2005, Diamond Valley Water Users Corp. ("Company") filed a request to amend its tariff (approved in Decision No. 60125). The proposed amendment requests a change to the service line and meter installation charge. The Company is in financial distress and is being operated by an interim manager (Mr. Timothy Kylo). The Prescott Valley Water District ("District") charges for water system connections have increased, and actual connection costs vary due to unique site conditions.

2. Staff is processing this application as a water facility hook-up fee tariff.

3. The Company has recently received four requests for service line and meter installation (SL&MI) services. The Company's current tariff provides for a partially refundable \$1,650 SL&MI charge for 5/8" x 3/4" meter. In prior years, the previous SL&MI charge of \$1,650 generally covered the \$1,200 District imposed County Water System Capacity Charge, the cost of the meter and installation costs. The portion of the SL&MI charge not required to meet the county capacity charge (\$450) was refundable. In recent years, the Company has experienced a wide

1 variety of installation costs due to difficulty in locating mains and, in some instances, road
2 crossings.

3 4. The Company was recently informed by the District that the Water System
4 Connection fee was increased to \$1,650 (from \$1,200) for each new connection effective March 1,
5 2005. Additionally, a new Water Resource Charge was also effective March 1, 2005, for \$1,526
6 for each new connection.

7 5. The Company estimates that the current cost for the meter and installation can
8 range from \$800 to several thousand dollars. Therefore, the total estimated current cost for
9 SL&MIs can range from \$3,976 (\$1,650 plus \$1,526 plus \$800) to several thousand dollars. Thus,
10 the current cost of connecting a customer would require the Company to absorb significant capital
11 costs.

12 6. The Company is currently preparing a rate application and indicates that it has no
13 working capital available to fund SL&MI requests.

14 7. The Company has proposed a change to its current tariff wherein the SL&MI
15 charge will be amended to permit non-refundable recovery of the "Permitted" actual cost of the
16 SL&MI. This will allow the Company to respond to requests for new service on a timely basis.

17 8. Staff believes the Company's proposed tariff amendment should be treated as a
18 water system facility hook-up fee. Service connections and establishment under A.A.C. R-14-2-
19 405.A.6 and intended for costs "where the customer's facilities are ready and acceptable to the
20 utility and the utility only needs to install or read a meter to turn on the service." The District's
21 fees represent a substantial cost to the utility and are more appropriately considered under as a
22 hook-up fee. Treating all new service connections as hook-up fees is also a practical solution to
23 the Company's current financial situation.

24 9. Although the Company has reported operating income of \$22,090 for the year 2004
25 and \$16,393 for 2003, it is experiencing negative cash flow due to the increase in the District water
26 purchasing costs and increasing repairs and maintenance costs. The Company had a negative cash
27 flow for 2004 of approximately \$40,000.

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1 10. The Company also has unpaid debts to the District totaling approximately \$97,000
2 which were accumulated prior to, and subsequent to, the appointment of an interim manager for
3 water purchases, connection charges, and interest.

4 11. Although paying its current property tax assessments, the Company owes
5 approximately \$50,000 for back property taxes.

6 12. The new hook-up fee will not be refundable. The Company's current financial
7 condition precludes refunding at this time. All hook-up fees will be considered as non refundable
8 contributions in aid of construction.

9 CONCLUSIONS OF LAW

10 1. The Company is public service corporation within the meaning of Article 15 of the
11 Arizona Constitution and Title 40 of the Arizona Revised Statutes.

12 2. The Commission has jurisdiction over the Company and over the subject matter of
13 the application.

14 3. The Commission having reviewed the application and Staff's Memorandum of
15 April 14, 2005, concludes that it is in the public interest to grant the Company's request as
16 modified herein to establish water facility hook-up fees as provided for Exhibit I.

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ORDER

IT IS THEREFORE ORDERED that the application be and hereby is granted as modified and discussed herein.

IT IS FURTHER ORDERED that the Company submit a report each March 1 that covers the previous calendar year. The report shall list each person/entity that has paid a hook-up fee, how much they paid, how much was paid to the District, and how much was paid for the actual installation of the meter and service line. The first report shall be due on March 1, 2006.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

 CHAIRMAN
 COMMISSIONER
 COMMISSIONER

 COMMISSIONER
 COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 5th day of May, 2005.


BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:JJD:rdp/TS

67829

Decision No. _____

Diamond Valley Water Users Corp.
W-03263A-05-0215

Exhibit I

Water Facility Hook-up Fees:

<u>Meter Size</u>	<u>Water System Connection Charge*</u>	<u>Water System Capacity Charge*</u>	<u>Meter and Installation</u>	<u>Permitted Total Cost**</u>
	(A)	(B)	(C)	(A+B+C)
5/8" x 3/4"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
3/4"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
1"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
1 1/2"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
2"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
3"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
4"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
5"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost
6"	\$1,650.00	\$1,526.00	Actual Cost	Permitted Cost

* Imposed pursuant to Prescott Valley Water District. Other charges apply to Duplexes/ Apartments/Condominiums/Motel and other types of dwellings.

**Permitted Cost

- A. Costs shall be verified by invoice.
- B. For services that are provided by the Company at cost, cost shall include all labor, materials, other charges incurred, and overheads. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After a review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.
- C. In the event the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of service or after the Company's receipt of invoices, time sheets or other related documents, which ever is sooner. Under all circumstances, the minimum charge as indicated above will be charged for the related service.
- D. All amounts paid by the customer will be considered a non-refundable contribution in aid of construction.
- E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents to support the cost for providing service.
- F. Permitted cost shall include any State or federal income taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities for which the customer advances or contributes funds or facilities to the Company.

1 SERVICE LIST FOR: DIAMOND VALLEY WATER USERS CORP.
2 DOCKET NO. W-03263A-05-0215

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4 Interim Manager
5 Diamond Valley Water Users Corporation
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